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Rotterdam harbor.

EC Takes Stock of Farm Policy

Japanese Farm Imports Slow

Foreign Agricultural Service
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This week's cover:

The Rotterdam harbor, with a LASH (Lighter Aboard Ship) vessel in the foreground. Rotterdam is the world's busiest port and a major transshipment point for U.S. farm products in Europe, as explained in article beginning on page 5.

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European Community Reviews Its Common Agricultural Policy

By WILLIAM P. HUTH
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In an unprecedented move, West Germany last fall vetoed EC attempts to pass a supplementary increase in Community farm support prices. Although it turned out to be short lived, the veto was to have numerous side effects, including the immediate launching of an EC "Stocktaking of the Common Agricultural Policy" and ways of improving its operation. In this and the accompanying article, Mr. Huth looks at the recently released "stocktaking" report and the circumstances leading up to the CAP review.

On February 27, the European Community Commission released its "Stocktaking of the Common Agricultural Policy," thus fulfilling its promise made to West Germany last October to review EC farm policies in return for German acceptance of proposed increases in price supports. But beyond some cautious recommendations for change in price relationships, stockpiling, export policies, and other areas, the report does not really come to grips with many problems that have surrounded EC farm policy, including some that finally prompted Germany temporarily to break ranks with its EC partners.

The break came after the EC Council of Agricultural Ministers approved on September 20, 1974, an across-the-board 5 percent increase in EC farm support prices, to become effective in October. This move—taken to help compensate for the rapid rise in costs of production inputs such as feedstuffs, fertilizers, and energy—was the first time ever that two price increases were granted in the same year. As usual, it was part of a compromise package, revised by the EC Commission to the point where EC Council[1] approval was assured.

Five days later, on September 25, German Agricultural Minister Josef Ertl recorded another first when he informed the EC Commissioner for Agriculture, Petrus Lardinois, that his Government had vetoed the package already approved by the Council.[2] On October 2, the Germans agreed to rescind their veto provided certain conditions were met, the most important being a thorough "stocktaking" of the EC's Common Agricultural Policy (CAP), with the aim of improving its operation. On February 27, the Commission met this commitment by making public its stocktaking report.

The Commission's report, at first look, does not seem to contain any dramatic changes in policy directions but rather follows, as expected, the lines suggested in the Commission's 1973 reform recommendations. It generally vindicates the CAP's performance to date. As such, it is much closer to the French position calling for continuation of previous policies with only marginal changes, than to German or British desires for substantial changes.

The report concludes that price supports should remain the principal instrument for improving EC farm incomes, although limited use of direct income aids may be necessary. Implementation of structural reform measures is to be stepped up and is considered the basic long-term answer to CAP problems.

For commodities, the Commission proposes improved price relationships among products, "active" stocking policies, and co-responsibility of producers for surpluses. Guidelines on price relationships relate primarily to grains and call for taking into account nutritive values. This probably means increasing feedgrain prices relative to those for soft

[1] **The EC Commission is responsible for developing Community farm policy and for overseeing administration of proposals already enacted. The Council, made up of Agricultural Ministers from each Member State, is responsible for actual enactment of agricultural laws.**

[2] **Approval of Council measures by German representatives must be confirmed under German law by the Cabinet. In the past, however, confirmation has always been forthcoming and considered a formality.**

wheat and abolishing wheat denaturing premiums.

An "active" stocking policy refers primarily to grains, sugar, and skim milk powder and is intended to assure domestic supplies and meet international obligations, rather than to deal with the structural surplus problem, which is to be mitigated via reform. Co-responsibility of producers aims especially at milk producers and recommends a two-stage price increase during the season, the second increase being contingent upon supply and demand plus relationships between production costs and prices received. For beef, the recommendations call for greater intervention flexibility and better market information.

Security of supplies (i.e., self-sufficiency), according to the Commission, has largely achieved for food products but not for feedstuffs—the EC must import 80 percent of its protein concentrates and 50 percent of its corn. The report indicates that surplus food items should be made increasingly available to EC consumers via subsidies when this costs the Community no more than subsidizing export sales. Feedstuff shortages should be alleviated by diversification of sources of supply.

Changes called for in the CAP export policy would allow EC exporters to enter into long-term contracts with countries seeking security of supplies. Greater reliance on competitive bidding among exporters in fixing levels of subsidies and the inclusion of animal (especially dairy) products as well as grains in food aid programs are related recommendations.

The Commission will propose rules for future developments in the monetary compensatory amounts system. It will also draw up an inventory of national aids and propose criteria governing granting of such aids.

The stocktaking is indicative of overall policy directions, rather than replete with specific concrete measures. As such, it sums up overall achievements to date and provides a benchmark from which to introduce changes in the CAP. These changes are clearly intended by the Commission to alter the operations of the CAP marginally but definitely in directions more in keeping with its original goals.

Direct income aids, structural reforms, co-responsibility of producers, and consumer subsidies taken as a package aim at increasing efficient farmers' incomes while reducing support costs and food prices. The measures suggested reflect the concern of all Member Governments, and particularly the British and Germans, about the effects of farm policies on other economic sectors. The report does emphasize the need to reintegrate agriculture into the rest of the economy.

Directions of the above measures generally accord well with U.S. agricultural trade interests. Unfortunately, magnitudes of changes may not be very significant in the near future.

Two items, at least potentially, could have negative consequences for U.S. agricultural trade.

First, having achieved self-sufficiency in food for direct human consumption, the EC is turning its attention to stimulating a similar trend for feedstuffs, both domestically—via the Soybean CAP, for example—and overseas—as in Germany's negotiations with Brazil as an alternative source for soybeans. Consequences of such moves could be significant over time.

Second, long-term contracts for EC exporters with countries seeking security of supplies could be the counterpart of preferences now granted to certain countries exporting to the EC. Such con-

Continued on page 16

Farm Policy—Long an EC Problem —Reflects Diverse Needs, Goals

Why did West Germany last September choose a dramatic—and unprecedented—veto of EC farm price support measures in order to obtain the review, just published, of the European Community's Common Agricultural Policy?

The German move had been long building, reflecting the country's historically disadvantaged agricultural position in the EC. West Germany had also become increasingly concerned over the rising cost of EC policies and the growing tendency of EC members to employ supplementary national agricultural assistance measures without sufficient regard for common objectives.

In any case, the German veto brought EC farm policy momentarily to a stop and was intended to signal the seriousness of German demands. It also provoked strong general concern that the EC CAP might actually disintegrate, in which case the already-strained fabric holding the EC together might become unraveled.

A closer look at the CAP's structure and goals will give some idea of why it has caused so much controversy among EC members, and outsiders as well.

The CAP's stated goals are increased agricultural productivity, adequate farm incomes, stable markets, guaranteed supplies, and reasonable prices for consumers. These goals are to be achieved by the CAP, which is supposed to ensure fair competition for EC farmers in internal Communitywide markets.

The internal markets of the EC are protected by "Community Preference," which simply means that for the great bulk of farm production, similar foreign products canont enter the market at less than prices guaranteed to EC farmers. Community preference is enforced by a complex system of subsidies, and import charges, including variable levies, which at a minimum cancel out any price advantages enjoyed by a foreign competitor. It makes no difference whether such an advantage results from a subsidy on exports or is due to more efficient production, such as would be the case for most U.S. grains.

The Community's main method of maintaining farm incomes consists of guaranteed prices, supported as necessary by Community buying and/or by Community subsidies on exports of surplus items. Such measures are supplemented by food aid to needy countries. These programs are financed by the Community's own budget, which has been funded from levies and duties on imports and, until 1975, by direct payments from Member States.[1] But the cost of the CAP has grown dramatically, in the process focusing attention on the CAP's inherent weakness. In fact, of the Community's budgets for 1973 and 1974 $12.4 billion, or nearly 70 percent,

[1] In 1975, direct payments by Member States are to be replaced by payments of up to 1 percent of a Community-wide harmonized value-added tax.

went to finance the CAP.

Moreover, the use of unrestricted price supports in a protected market has hindered the marketplace from signaling to farmers changes in consumer demands and hence from encouraging a more rational product mix. The result has been substantial surpluses including wheat, butter, and—recently—beef. Thus, for example, Community consumers have paid above-world prices for butter, while at the same time paying taxes to subsidize exports of butter to

". . . the German veto brought EC farm policy momentarily to a stop and was intended to signal the seriousness of German demands."

Soviet consumers at bargain basement prices.

Originally, "fair" competition in the Community was to be assured because national currencies were fixed in value relative to each other. With several currency changes in recent years, and the adoption of floating exchange rates, the system has encountered numerous problems. When, for example, the German mark was revalued, a German food product became more expensive to a French consumer than the comparable French product, and the principle of fair competition for all EC farmers in a Communitywide market was violated. To restore the balance, an offsetting subsidy was granted on the German product destined for the French consumer and an offsetting tax applied to the French product for the German consumer.

The result is a complex system of monetary compensatory amounts applied to EC agricultural products crossing national borders. This entails considerable administrative costs and a system that hardly resembles a free internal market.

Elimination of this system of border compensation implies adjustment of national support levels instead: price cuts for German and Benelux farmers and large price increases in most of the rest of the Community.

In the meantime, relative differences in rates of inflation and production cost increases have led to separate national aid programs by member nations, further distorting relative farm incomes among farmers in different EC countries.

The difficulty of the Commission's task can be readily appreciated by noting the divergent national objectives regarding the CAP review or "stocktaking," as expressed *before* the exercise began.

The French, Dutch, Belgians, and Danes—who are the major exporters in the Community—indicated that the review should in no way bring into question the basic operation of the CAP.

The Irish and the Italians—with large numbers of low-income farmers—were particularly interested in structural problems and regional aids for backward agricultural areas. The Italians also have a special interest in strengthening support and protection for their citrus fruit, vegetable, and olive oil producers.

The United Kingdom saw the review primarily in terms of entry "renegotiation,"[2] in view of strong British dissatisfaction with current EC policies. For instance, with only about 3 percent of its labor force on farms, most of which are quite efficient, the United Kingdom has a major interest in cheap food, especially since much of its food needs must be imported.

Historically, the British have favored direct payment as a means of boosting farm incomes, while importing food on world markets at the cheapest prices available. Hence, they would like to see some form of support, such as income deficiency payments, that would permit lower market prices to consumers. The British also favor subsidizing sales of surplus food items to needy Community consumers, rather than dumping surpluses on the world market.

Two specific German concerns are prices and dairy surpluses. Agricultural support costs for milk products almost tripled between 1971 and 1974. In fact, support for milk products, at around $1.8 billion, accounted for over 40 percent of total Community agricultural fund expenditures in 1974. The Germans also wanted reforms in national aid measures for livestock and particularly wanted to eliminate French premiums for withholding slaughter of cattle and hogs.

In summary, all countries took the stocktaking seriously, but only the United Kingdom and Germany claimed to want really fundamental reform.

One of the most critical reviews of the CAP was recently published by Dr. Hans Friderichs, Germany's Economics Minister, in his book *More Power to the Market—Economic Policy without Illusions*. Dr. Friderichs predicted that continuation of current policies would lead to growing surpluses, inefficient production, unsupportable costs, and possibly even to the breakup of the Community. Without reform, the CAP would lead to an overall surplus production of about 10 percent for the Community as a whole by 1980.

His solution calls for lower support prices based on the market situation and divorced from farm income considerations per se. Support prices would be high enough to encourage the larger, more efficient farms without provoking surpluses. Income support would be provided to appropriate categories of farmers based on need and not tied to specific products or crops produced.

Basically, his solution would restrict the role of price supports and

". . . of the Community's budgets for 1973 and 1974, $12.4 billion, or nearly 70 percent, went to finance the CAP."

attempt to divorce the "agricultural poverty" problem from that of maintaining incomes of efficient farmers.

This idea is reminiscent of the "Mansholt Plan," named after former Agricultural Commissioner Sicco Mansholt, to reform the CAP. That plan aimed at improving the structure of EC agriculture by encouraging rural youths to seek urban employment and giving pension aids to older farmers willing to retire. Farms that were too small were to be combined into larger, modernized units.

These changes are taking place naturally, but at too slow a pace.

—WILLIAM P. HUTH

[2] This refers to British efforts to obtain changes in the terms under which they joined the Community in 1973. Technically, of course, once having joined, a country cannot "renegotiate" entry, but the issue of whether the United Kingdom remains in the EC is popularly known by this term.

Rotterdam: European Gateway For U.S. Agricultural Products

By CHRISTIAN J. M. LANGEZAAL
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THE MEASURE of a port is its hinterland, and in this the busy port of Rotterdam is unequalled: its location at the mouth of the Rhine River gives access to the heart of industrial Europe, while across the English Channel and up the coast lie other ancilliary markets. One result is that Rotterdam today ranks as the world's busiest port, one of the most modern ports, and the single most important European gateway for U.S. farm products.

Rotterdam began to realize its destiny as a transshipment port around the middle of last century, when the beginnings of the industrial revolution caused Germany to import increasing amounts of raw materials, largely ore via the port of Rotterdam and the Rhine River. Today, numerous industries in Rotterdam's hinterland rely heavily on imported ores and oil, but expanding populations and prosperity also have necessitated increasing imports of food and feed. So great have been these needs, in fact, that farm imports today comprise a $100 million import business for the port of Rotterdam.

Within a 300-mile radius of Rotterdam live 160 million people. The same circle placed around New York would include Norfolk and Buffalo but encompass only 50 million people. Moreover, this relatively small piece of Europe, part of Rotterdam's hinterland, represents a market that is somewhat larger than two-thirds of the entire market of the United States.

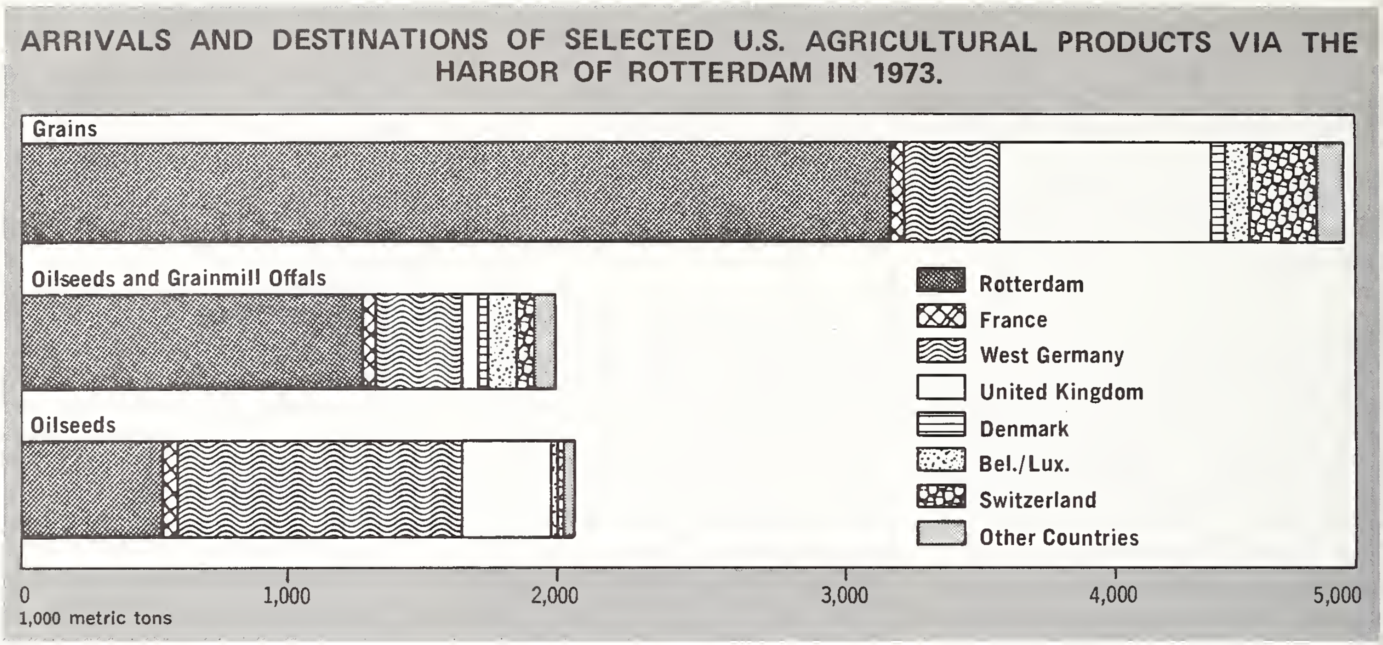
The port's main artery to its inland markets is the Rhine River, navigable to Basel, Switzerland, and bisecting the densely populated and heavy industrial areas of West Germany. Other rivers and canals also give Rotterdam excellent waterway connections with Belgium and northern France. And in the future, Rotterdam's link will extend all the way to Istanbul, Turkey, as a result of a planned canal to connect the Main River—eastern tributary of the Rhine—and the Danube River.

Besides this vast river system, Rotterdam acts as a transshipment port for millions of tons of cereals, containerized shipments, and other items destined for the United Kingdom, coastal Germany, the countries of Scandinavia, and others. These are carried in coastal vessels to ports not so blessed with the large harbor or facilities of Rotterdam.

Such facilities include a container port that is not only Europe's largest but also was well under way in 1963, when competitive ports were still only discussing the phenomenon of containerization; cold storage facilities totaling some 185,000 cubic yards; and channels up to 68 feet deep that can accommodate the largest of tankers. In 1974, some 33,296 ships entered the harbor of Rotterdam to unload the fuel oil, technical equipment, food and feed, and plethora of other products that regularly pass through the port of Rotterdam.

This gigantic business is a joint Government-industry effort. The harbor itself is owned by the Rotterdam municipality, while the Municipal Port Authority takes care of the infrastruc-

Rotterdam's container terminal—the largest in Europe. This huge terminal handles products destined for the Netherlands and other points reached via the Rhine River and its tributaries and is also an unloading point for cargo for the United Kingdom and Scandinavia.



ture of the harbor, building the docks and quays. The quays, in turn, are leased to private enterprises, which build the needed warehouses and install cranes and other harbor equipment.

Attesting to the success of this cooperative effort is Rotterdam's reputation for having the fastest ship turnaround time in the world. And it is far the world's busiest port, in 1973 handling more than double the cargo of the next largest port—Kobe, Japan—as indicated in the following tabulation (in millions of metric tons):

	1972	1973
Rotterdam	268.5	309.8
Kobe	124.0	142.3
Yokohama	120.0	130.6
New York	110.0	110.0
Marseille	84.4	102.5
Le Havre	66.4	89.0

In 1972 and 1973, the following cargoes (in million metric tons) passed through Rotterdam:

	1972	1973
Mineral oils	187.9	215.4
Ores	25.1	29.7
Farm products:		
Grains	6.3	7.7
Feed	4.3	4.9
Oil-bearing materials	3.6	4.2
Fats and oils	1.2	1.3
Milk and dairy products	0.4	0.7
Fruits and vegetables and products	1.7	1.6
Other	4.9	6.4
Total farm products	22.4	26.8
Other products	33.1	37.8
Total	268.5	309.7

Although oils obviously have the ascendency in this trade (two of the world's largest refineries are in Rotterdam), agricultural products also hold a prominent position—far exceeding the needs of the Dutch market itself. In fact, along with its sister port, Amsterdam, Rotterdam handles 27 percent of all U.S. farm exports to the European Community, as well as similar large shares of exports from Canada, Oceania, South America, and other agricultural suppliers of Western Europe.

Many of these agricultural products will remain in storage only for brief periods in the ports of Rotterdam or Amsterdam before they are shipped on to the other major markets of Western Europe—a situation that applies particularly to grains, oilseeds and their products, canned fruit, and cotton.

Among the major grain and oilseed imports from the United States some 60 percent of the soybeans, half the wheat, over a third of the oilseed meals, and nearly 30 percent of the corn move on to other markets. Still more of the feedgrains and oilseeds will be put into mixed feeds and as such shipped to other markets to satisfy needs of their expanding livestock industries.

Of the U.S. canned fruits imported into Rotterdam, only 10 percent actually remain in the Netherlands, while the rest is transshipped to other European countries. This tremendous transshipment trade reflects in part Rotterdam's huge container terminal and the resulting tendency to unload containers at Rotterdam into smaller vessels for shipment elsewhere.

The same goes for cotton, especially since shipping conditions to the important U.K. industrial centers have deteriorated.

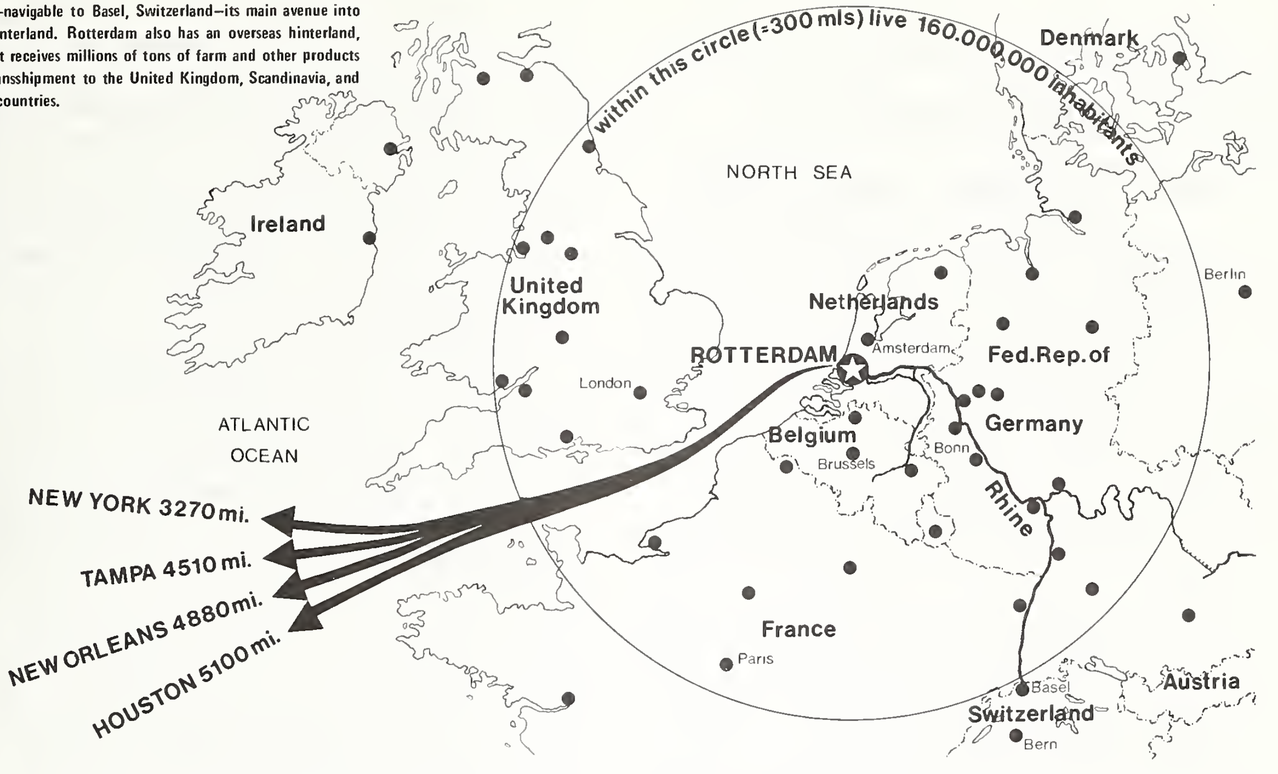
Rotterdam is also a port of entry for U.S. variety meats. In 1974, the Netherlands imported about 18,000 metric tons of variety meats, of which 11,400—or 63 percent—came from the United States. These products—including beef or pork tongues, livers, hearts, and kidneys—are stored prior to transshipment in one of the many freezer or cold storage houses in the Rotterdam harbor.

Because of the resulting disproportionately large trade, Rotterdam's imports of these and other farm products give a good indication of prevailing Government policies and prices in the Common Market.

Imports of grains and related products moving through Rotterdam, for instance, have been closely linked to the agricultural policy of the EC, as well as to world price relationships for the various products. The influence of price has been accentuated by the highly sophisticated Dutch mixed feed industry, which has used linear programming for some time to determine optimum combinations of products. This role is enhanced by Rotterdam's easy access to 50 different substitute products.

As a result of EC policies favoring soybeans (duty-free status) over feedgrains (subject to the restrictive variable levy system), imports of U.S. grains

The Rotterdam harbor serves one of the most densely populated areas of the world, with the Rhine River—navigable to Basel, Switzerland—its main avenue into the hinterland. Rotterdam also has an overseas hinterland, since it receives millions of tons of farm and other products for transshipment to the United Kingdom, Scandinavia, and other countries.



into the Netherlands showed little change between 1963 and 1972, while those of oilseeds skyrocketed. In turn, grains' share of the Dutch mixed feed output plummeted from more than 60 percent in 1962-63 to barely 30 percent in 1972-73.

But the 1973 surge in world demand for oilseeds—and the consequent unprecedented price increase—caused grains suddenly to become the more attractive feed ingredients. As a result, Rotterdam in 1973 handled a record 4.8 million tons of U.S. grain, compared with only 3.2 million the previous year. At the same time, imports of oilseed meals fell almost 18 percent to 815,000 tons, from 990,000 in the preceding year.

This sudden shift in demand caught Rotterdam—a port known for anticipating change—somewhat offguard, creating problems in handling the influx of grains. On the other hand, its facilities for unloading oilseed meals and other derivatives had been vastly improved and expanded as a result of a modernization program that had invested millions of dollars in special equipment for unloading derivatives. Such equipment is necessary because of the extensive pressure exerted on lower layers of oilseed meals in ships' holds, which results in some of the product being compressed almost to the state of solid concrete by a sea trip's end.

Indications for 1974 confirm a continuation, although less strong of the 1973 trend. Grain arrivals rose further —by an estimated 10 percent. Imports of oil-bearing seeds picked up again—by around 25 percent—but arrivals of oilseed meals are estimated to be down another 3 percent.

In any case, Rotterdam continues to work on additional expansion of its harbor and will probably increase further its role as Europe's foremost transshipment port.

ARRIVALS OF SELECTED U.S. AGRICULTURAL PRODUCTS IN DUTCH HARBORS DURING 1973
[In thousand metric tons]

Item	Wheat	Corn	Other grains	Grain offal	Soybeans	Animal fats	Oilseed meals	Tobacco	Cotton	Canned fruits
Domestic imports	710	2,935	221	103	1,033	75	870	16	10	6
Transshipments:										
France	226	17	6	2	30	8	113	—	9	13
Belgium/Luxembourg.	93	29	23	68	46	33	72	3	8	2
West Germany	196	179	42	204	1,169	34	170	5	15	13
United Kingdom	262	618	24	7	348	6	40	4	12	11
Denmark	4	15	1	—	—	—	—	—	—	1
Ireland	—	32	—	6	—	—	—	—	—	—
Switzerland	94	146	57	1	14	—	72	2	—	8
Other	35	114	3	—	41	7	57	2	2	7
Subtotal	710	1,150	156	288	1,648	88	524	16	46	55
Total arrivals	1,420	4,085	377	391	2,681	163	1,394	32	56	61

Central Bureau of Statistics.

Economic Uncertainty Handicaps Japanese Farm Output, Imports

JAPANESE agriculture, like the economy as a whole, appears to be seeking a new direction this year, after being buffeted by both inflation and recession. But while officials emphasize greater self-sufficiency—particularly in grains and soybeans—farmer response is expected to be lukewarm, with only moderate production expansion.

Demand for agricultural imports, on the other hand, is seen weakening as consumers resist high prices and as livestock farmers—still in a cost-price crunch—cut back on feed purchases. Yet value of agricultural imports should remain above historical levels, with the United States again far the largest supplier.

Inflation dominated all areas of Japan's economy in 1974, as the consumer price index shot up 24.5 percent, and the wholesale price index jumped 31.3 percent. Workers received an average wage gain of 32 percent, effective in May, but real wages declined slightly for the year as a whole. There also was growing emphasis on thrift and on protecting against future uncertainties, in the form of expanded savings, postponement of durable- and consumer-goods purchases, and consumer resistance to high food prices. Among the agricultural consequences, beef sales did not increase as expected, and a slight consumption shift back to rice may have occurred.

Such trends dropped consumer spending slightly in real terms last year and contributed to the most severe business slump in Japan's postwar history. Real GNP, which has risen each year since the Korean War at rates ranging from 3.7 to 15.5 percent, fell an estimated 4 percent last year. And so far, despite some optimistic forecasts, there has been no clear indication of an upturn.

Industries, faced with growing inventories, have cut production, and—despite the Japanese practice of lifetime employment—are trimming labor forces. Estimated unemployment, although still under 2 percent of the work force, has surpassed the 1-million mark for the first time since 1967, and the high number of underemployed persons is posing serious problems for the economy.

The trade picture last year was marked by a 50 percent rise in 1974 exports to an estimated $54.5 billion alongside a 62 percent gain in imports to $52.8 billion. This resulted in a trade surplus of $1.7 billion, less than half the $3.7 billion for 1973, but an overall balance of payments deficit of $6.8 billion. This deficit, however, was well below 1973's record $10.1 billion.

Agricultural imports rose again in 1974—to $11 billion from $8.7 billion in 1973. However, virtually all the increase came as a result of higher prices, with only feedgrains, sugar, and citrus fruits registering volume advances last year. As in the previous 2 years, the United States scored further growth in its trade, as Japan purchased some $3.9 billion of U.S. farm products, compared with $3.0 billion in 1973, and the U.S. share of the market inched up to 36 percent from 34 percent in 1973.

In view of the uncertain economic conditions in Japan, import demand for farm products will probably remain slack in 1975.

Feedgrains. Following last year's extremely high grain prices and a jump in domestic mixed feed prices, demand for feedgrain imports has slackened considerably. As a result, total feedgrain imports this year may fall more than 10 percent to about 12 million tons.

Last year, feedgrain imports rose 7 percent to 14.1 million tons. Purchases of corn, at 7.9 million tons, were up only slightly, but those of grain sorghum jumped 20 percent to 4.5 million tons, and barley, 8.3 percent to 1.4 million.

The U.S. share of the market fell from 72 percent in 1973 to 64 percent last year, owing to expanded availability of corn from Thailand and South Africa and grain sorghum from Argentina and Australia.

A dominating feature of the feedgrain market last year was the soaring world price in response to reduced U.S. output. The landed price of corn, for instance, rose 28.4 percent from $130.20 in January 1974 to $167.20 in November. This was more than double the January 1973 level of $69.10 per ton.

This rising import cost, together with the weaker exchange rate of the yen, pushed mixed feed prices to about $253 a ton (delivered at producing point) by December 1974, or almost 35 percent above those of a year earlier.

One consequence of the price rise has been a decline in mixed feed production for the first time since 1965. Last year, the dip was only fractional to 17.95 million tons, but output may decline another 5 percent to about 17.2 million tons in 1975.

RECESSION and inflation are also affecting industrial corn users, weakening demand for corn starch in the textile and paper industries. Informed sources predict actual needs for industrial corn in JFY 1974 (ending March 31, 1975) at about 1.3 million tons, the same as last year's and well below the allocated import quota of 1.6 million tons.

Japanese production of barley, the only domestic feedgrain of any significance, totaled 233,000 tons in 1974—7.9 percent above the previous year's as a result of above-average yields. In 1975, barley plantings are seen rising 5 percent to slightly over 200,000 acres and output to 240,000 tons.

Soybeans. After declining 9 percent to 3.2 million tons last year, Japanese soybean imports are expected to recover in 1975 to about the 1973 level of 3.6 million tons. Last year, 90 percent of these imports came from the United States. Crushings of soybeans last year are reported at 2,827,100 tons, about the same as in 1973, with stocks of soybean meal reportedly well above normal.

Domestic soybean output is benefiting from Government attempts to encourage production, via higher support prices. Last year, it upped support prices 32 percent, resulting in the second advance in soybean acreage in 20 years (the first was in 1971); another gain is seen for 1975. Current estimates place the 1975 soybean area at 247,000 acres

and production at around 140,000 tons, compared with 133,000 last year. Output at this level, however, would still amount to only 4 percent of total needs.

Livestock and poultry. The Japanese livestock and poultry industries continue under pressure from the twin problems of inflation and recession. Growth in meat consumption, so evident in previous years, virtually halted in 1974 and will likely continue depressed if economic conditions do not improve. Farmers, in turn, are being squeezed by higher costs and little if any increase in wholesale prices.

The total number of livestock on farms as of February 1, 1975, is estimated at 11.4 million head, off 8 percent.

Red meat production is seen declining to 1.13 million tons in 1975 from 1.22 million in 1974, when the deteriorating prospects caused a big jump in slaughter rates, and poultry production is forecast to decline slightly to 730,000 tons.

In view of these expected production declines, import demand for meat may recoup some in 1975 from the depressed levels of 1974. Current forecasts see beef imports rising to 90,000 tons in 1975 from 53,000 last year; poultry meat to 40,000 from 26,000; and pork to 90,000 from 42,000. Takings of mutton and lamb are expected to hold at the 1974 level of 95,000 tons.

While the expected gain in poultry represents a strong rebound, takings of beef and pork will still be under the high import levels recorded in 1973 and depend on reissuance of import quotas, which were suspended during most of 1974.

Last year, imports were depressed by a glut of meat on the market following a doubling of beef imports the previous year and sharp gains then also in pork and other meats. This oversupply, in concert with reduced consumer demand, led to declines of 58, 67, 29, and 34 percent, respectively, in takings of beef, pork, mutton, and tallow. For U.S. trade the sharpest decline occurred in pork exports, off 77 percent from the previous year to 16 million pounds.

Rice. The termination of the incentive payment to leave riceland fallow in 1974 led to a nearly 250,000-acre gain in rice area and a 143,000-ton increase in output to around 12.29 million tons (brown basis). Recent changes in Government rice policy indicate output may climb another 250,000 tons in 1975.

A sharper than anticipated drop in Government-held carryover stocks (about 650,000 tons as of October 1, 1974, compared with 1 million previously expected), plus worldwide recognition of the grain reserve idea, has prompted the Government to begin working toward larger carryover stocks of around 2 million tons. Consequently, some officials have suggested that incentive payments for diverting riceland into other crops be terminated in 1976.

Japanese rice exports totaled about 280,000 tons in 1974, with virtually all sold on a concessional basis.

Wheat. Imports of wheat in 1975 are projected at 5.4 million tons, slightly above the 5.3 million of 1974. U.S. share of this trade is estimated at 3.2 million tons, or nearly 60 percent compared with 56 percent in 1974.

As with soybeans, rice, and other grains, the domestic wheat crop is benefiting from higher support prices in 1975. However, these are not expected to bring the big gains experienced last year. Then, Government incentive payments totaling nearly $12 per bushel contributed to an 11 percent increase in area—the first expansion since 1968—and a 15 percent jump in output to 232,000 tons.

Japanese wheat consumption last year, at 5.6 million tons, was slightly under that of 1973 and is seen contracting again in 1975. Stocks are likely to gain some in 1975, but any sizable buildup will probably await a larger world supply.

Fruits and vegetables. After rising 37 percent to 151,000 tons in 1974, Japanese imports of U.S. grapefruit this year are seen dropping to 130,000 tons, while a slight gain to 95,000 tons is seen for imports of U.S. lemons. These are far the largest U.S. fruit items exported to Japan. Midway in 1974, the United States ran into some problems with grapefruit sales, following discovery of live Caribbean fruit fly larvae in a shipment of Florida grapefruit and subsequent Japanese suspension of such imports. However, an inspection and fumigation procedure has since been developed meeting Japanese requirements.

Domestic production of citrus fruit in calendar 1975 is forecast to expand strongly to 4,300 tons from 3,911 in 1974.

Cotton. Total imports of cotton are seen slipping to 750,000 metric tons in calendar 1975 from 800,000 and 855,000 in the 2 previous years, as Japan remains in the grip of a textile recession. Buyers are carefully watching the cotton market, however, and are believed ready to purchase when they feel it has bottomed out.

Thanks to heavy forward buying by the Japanese and competitive U.S. prices, the United States last year managed to improve its position in the Japanese cotton market—despite the greatly slackened demand. Thus, while total import volume fell 6 percent, takings from the United States rose 22 percent to 1.3 million bales. This represented 38 percent of the market, compared with 29 percent the previous year.

On the domestic front, textile industries are still seeking their way out of a recession caused when consumers resisted rampant inflation by postponing purchases of new clothing. The resulting pileup of stocks of cotton goods, cotton yarn, and raw cotton has prompted some drastic measures, including a cotton spinners' cartel to reduce output by 40 percent during January and February 1975. Japanese yarn and cloth exports, particularly in the last quarter of 1974, have also been hit by falling world demand.

Tobacco. Declining domestic output and expanding cigarette demand continue to lift Japanese tobacco imports, up 33 percent in 1974 to 77,000 tons and slated to gain another 17 percent to 90,000 tons in 1975. Last year, the United States supplied 51 percent of the market.

Manufactured tobacco imports also are in a strong uptrend climbing 27 percent in 1974 to 3.2 billion cigarette pieces. The United States holds 81 percent of this viable market.

Domestic tobacco plantings in 1975 are set at 130,000 acres by the Japan Tobacco Corporation, a 5.9 percent decline from the 1974 level. If all the allotment is used and weather conditions are favorable, domestic leaf production in 1975 will be about 140,500 tons compared with 148,600 in 1974. —Based on a report from LARRY F. THOMASSON, *U.S. Agricultural Attaché, Tokyo*

Drought; Rising Costs Hit Spanish Farmers

Economic difficulties and drought have dimmed Spanish agricultural prospects this year, raising the specter of lower grain crops and further problems for livestock producers, already reeling from their cost-price squeeze of 1974. The country's critical shortage of livestock feed, in turn, will necessitate further large grain imports in 1975, although belt-tightening efforts may also be seen as the country attempts to reduce its huge trade deficit. As in the past, the United States will likely supply the largest share of Spain's agricultural imports.

Like many other countries today, Spain is in the grip of a major economic slowdown—the worst since its industrial take-off at the end of the fifties. The economy lagged markedly in the second half of 1974, cutting growth in the gross national product (GNP) to 5.5 percent last year from 8 percent in 1973. Meanwhile, inflation was running at an annual rate of about 18 percent by year's end; business confidence had been eroded by an acute lack of liquidity and declining demand; and bankruptcies; and unemployment had started to mount (unemployment hit an unprecedented 3 percent in 1974).

Among other worries was a soaring trade deficit—a preliminary $7.6 billion in 1974, or nearly one-half above that of the previous year. Contributing to the problems, and reflecting difficulties elsewhere, was a 5 percent decline in income from tourism, at a time when emigrant remittances were down about 11 percent. The result has been a shift in the current account from a surplus of $560 million in 1973 to a deficit of $3.5 billion in 1974.

The heaviest burden, however, was caused by spiraling costs of crude oil, responsible for 60 percent of the net increase in the trade deficit last year. Also contributing to the deficit were price gains in many other products, as well as a real increase in imports, particularly of farm products.

Agricultural imports alone rose nearly 44 percent in the first 9 months of 1974 to total almost $2 billion. Higher prices for most products and substantially larger volumes of feedgrains—particularly corn soybeans, and sugar—accounted for most of the increase. The United States was the major beneficiary of this import expansion, supplying $707 million worth in the first 9 months of 1974, or 77 percent more than in the same period of 1973; corn and soybeans accounted for about 88 percent of these imports.[1]

Purchases from the European Community were also up an impressive 66 percent, while the Latin American Free Trade Association (LAFTA) supplied 19 percent more, and the Council for Economic Mutual Assistance (COMECON), 50 percent more. Milk and dairy products led the EC gain; corn and soybeans, LAFTA's; and edible seed oils, COMECON's.

Spanish agricultural exports during January-September, on the other hand, slipped about 3 percent from the previous year's to $1.1 billion, lifting the agricultural trade deficit to $931 million from $364 million in the first 9 months of 1973 and $440 million for the whole of 1973. These exports consisted mainly of citrus fruit, canned fruits and vegetables, wines and liquors, fresh fish, olive oil, and canned fish. Largest declines occurred in sales of olive oil and edible tree nuts.

This economic and trade situation is seen continuing through 1975, with very slow GNP growth (conservative projections are for about 2.5 percent), increases in unemployment, and continued rapid inflation. The high oil import bill, coupled with further declines in tourism and in Spanish workers' remittances from other European countries, suggest that the Spanish balance of payments will again run a sizable deficit perhaps as much as $4 billion.

There is, nonetheless, considerable belief that the economy will "bottom out" in the summer and then begin to recover. Meanwhile, the Government in November 1974 announced a seven-point austerity program designed to gear the Spanish economy to the complex world economic crisis. The program's main aims are to maintain full employment, reduce inflation, and correct the imbalance in foreign trade. Provisions affecting agriculture include efforts to stimulate domestic agricultural production and continuation and/or extension of price controls.

Agricultural production also is steering much the same course as in 1974, mainly because of the continuing presence of drought.

Drought was a major handicap to crops and livestock production last year, although relief in the late winter and spring helped boost production of grains and pulses some 7 percent above 1973 levels. The difficulties began in the fall of 1973, when drought and frost hindered seeding of grains and pulses for harvest in 1974. This was followed by rains and spring-like weather in January 1974, which favored reseeding in much of the country and continued long enough to ensure good outturns of the major grains: Barley production rose to an estimated 5.4 million metric tons in 1974 from 4.4 million the year before; wheat to 4.5 million from 4 million; and alfalfa to 12.1 million from 11.5 million.

But drought returned at midyear to bring losses in rain-grown corn, olives, and sugarbeets and to cause a critical drop in pasture and forage feeds. By October 1974, drought had reached critical levels in the Central Plateau and southern half of the country, forcing widespread liquidation of livestock herds and a precipitous drop in water reserves.

Dry conditions continued through the winter of 1974, with the result that by early January 1975, only 50-60 percent of the winter grain crop had been seeded. So critical was the situation, in fact, that the Government began granting interest-free loans, repayable in 4 years, to livestock producers in drought-stricken areas, so they could purchase feed supplies. The 1975 situation currently looks like this:

Grains. Even assuming timely relief of the precarious water-supply situation, grain production in Spain is likely to be much lower this year than in 1974, perhaps by as much as a third. Combining to depress prospects are the losses already caused by drought, a projected decline in use of fertilizers and pesticides, and probable acreage reductions owing to

[1] **U.S. agricultural exports to Spain in 1974 amounted to $710 million ($361 million for soybeans and products and $280 million for corn), compared with $462 million in 1973.**

farmer discontent with support prices for wheat, feedgrains, and pulses.

The low support prices for corn and barley, in the face of growing domestic requirements and high world prices last year, led to some major marketing problems. Some growers hoarded barley supplies, rather than turn them over to the National Farm Commodity Service (SENPA) at the low domestic prices, while corn producers cut their acreage and production. The result was that unusually large imports of feedgrains had to be made at a time when world prices were at their peaks. And all the while, the persistent drought was causing heavy supplementary feeding of grain that was still expensive, despite Government efforts to hold down prices, and often difficult to obtain.

Continued low grain support prices in 1975—together with a nearly 50 percent gain in support prices and a $145 million loan assistance program for sugarbeets—are prompting shifts in acreage from corn to beets, further contributing to the bleak grain prospects for 1975.

BECAUSE OF SUCH problems, imports of most grains are expected to remain strong, following big gains last year. Imports of wheat, which have been minor in recent years, are expected to rise to possibly 500,000-750,000 tons, owing to the projected production decline, plus increased feeding of wheat. For feedgrains, total demand will be depressed some because of the reduction in livestock numbers following last year's heavy slaughter, but here again the poor outlook for domestic crops is expected to sustain imports at about 4 million tons.

Oilseeds. Some recovery is seen in production of oilseeds, particularly sunflowerseed, while olive oil outturn also should improve markedly in 1975-76, as it benefits from an "on year" in the production cycle, as well as from the recent freeing of olive oil prices. In 1974-75, output of olive oil plummeted to 325,000 tons from 440,000 and 450,000 in the 2 previous years.

As a result of the reduced 1974-75 olive oil outturn, prospects are fair to good for increased Spanish imports of soybeans and other oilseeds and products in 1975.

Cotton. Production of seed cotton, which rose to an estimated 223,000 tons in 1974 from 140,000 the year before, is likely to decline in 1975 as a result of low support prices and the current recession in textile demand. These conditions, in turn, will probably further depress import demand for cotton.

Tobacco. Growth in production of tobacco will largely depend on price incentives. At current prices and input costs, an expansion in output from the reduced 22,000 tons of 1974 is not likely. On the other hand, import prospects are good for leaf tobacco, but poor for cigarettes.

Sugar. Production of sugar should rise considerably in 1975, helping to correct the tight supply situation encountered last year. That difficulty began at the end of 1973, when despite a continuing rise in domestic needs and world prices, the Spanish Government turned down beet producers' requests for higher support prices needed to absorb rising input costs. As a result, sugarbeet acreage in 1974 plummeted by a third and production by 30 percent to around 4 million tons, and sugar stocks by the beginning of 1974-75 had fallen to the lowest level in 5 years. Aggravated by panic buying, this supply squeeze forced large imports of sugar last year when world prices were at peak levels.

Consequently, when it came time to set support prices for 1975 production, the Government agreed to up the base price to about $52.70 per ton of beets. At about $17 more per ton than had been initially demanded, this increase virtually ensures a production gain in 1975, barring disastrous weather.

Livestock and meat. The livestock industry in 1975 will continue to feel the effects of drought, but this time in the form of reduced or static meat production, following sharp gains last year when herds were culled for lack of feed. In fact, 1974 saw some of the steepest increases recently recorded in meat output, as production of beef and veal rose by a fifth to 445,000 tons; pork by a third to 785,000; and mutton, lamb, and goatmeat, by 11 percent to 160,000. Poultry meat production also rose sharply—by over 40 percent to 485,000 tons—but output of milk barely inched up to 4.10 million tons from 4.07 million the year before.

While red meat output may fall this year as farmers concentrate on rebuilding herds, poultry meat output is seen continuing its rising trend. Milk production may also show a moderate increase over the 1974 level.

On the import side, demand for meat and meat products is projected to be sluggish in 1975, reflecting the large stocks of meat—nearly 100,000 tons—currently held by the Spanish Government and trade. Reduced slaughter rates would suggest increased tallow imports, while hides and skins will suffer from slackened demand for wearing apparel.

While farmers attempt to cope with drought and economic difficulties, Spanish consumers also have been adjusting to rising costs. Despite expensive (some $483 million) Government subsidies on consumer foods such as soybean oil, sugar, and (indirectly through feedgrain import subsidies) on livestock products, food represented nearly 50 percent of the average family's spendable income in 1974.

This squeeze imposed on the Spanish consumer by concurrent problems of inflation and recession brought about a marked deceleration in the long-term shift from carbohydrates toward protein foods. Although difficult to quantify, it is believed that consumption of cereals, potatoes, and other starchy foods reached a much higher level in 1974 than in the recent past, to the detriment of red meat, fish, and certain nonessential food products. Dairy product consumption remained fairly stable, and that of poultry and poultry products was up.

Despite panic buying, consumption of edible oils and sugar probably grew only moderately in 1974. Tallow consumption probably declined as a result of the adverse effect of recession on the toiletries and cosmetic industries, and that of cotton fell as a result of fewer sales of textiles, both locally and abroad. Tobacco consumption grew moderately.

Rising prices of nondurable goods and services also led to shifts in expenditure patterns, with increased spending for gasoline and services and declines in personal consumption outlays for clothing and shoes.

—Based on report from CLARENCE L. MILLER,
U.S. Agricultural Attaché, Madrid

Italy Shifting Meat Imports From Beef To Pork

By ARTHUR F. HAUSAMANN
Foreign Commodity Analysis
Livestock and Livestock Products
Foreign Agricultural Service

Italy—a major market for meat and livestock—seems to be changing the composition of its meat imports—increasing pork and hog purchases at unprecedented rates, while shifting its beef and cattle imports downward. This trend —if continued—could benefit European Community countries, which supply most of Italy's pork and live hogs, while reducing demand for U.S. feeds for use by the Italian livestock industry.

Underlying the import shift is Italy's desire to improve its financial situation by cutting back on luxury-type imports, such as high-quality beef, as well as the EC's temporary embargo on beef and cattle imports from third countries.

Although Italy's own cattle herds have been declining since 1969, the country maintains its beef output by importing young slaughter cattle, many of which are fattened in U.S.-type feedlots before slaughter. U.S. feeds such as soybean meal and corn are imported in quantity for cattle feeding, as well as for Italy's pork and poultry industries.

In 1974, for example, Italy took $211 million worth of U.S. soybeans, soybean oilcake and meal worth $109.4 million, and corn valued at $262.3 million.

Latest trade statistics from Italy tend to bear out the changes in the composition of meat and livestock imports. For 1974, Italy's live cattle imports were estimated at 1.8 million head, a noteworthy 19 percent below those of 1973, while beef imports dropped 27 percent to 316.000 tons. Hog imports, on the other hand, soared 61 percent above 1973's to 675,000 head, and pork imports rose 31 percent to 236,000 tons. In 1973, 2.2 million head of cattle, 433,000 tons of beef, 418,000 head of hogs, and 180,000 tons of pork were imported for use in Italy.

Other Common Market countries account for a large share of this trade, and will benefit from Italy's desire to limit beef and cattle purchases in favor of pork and hogs. Over 70 percent of the live cattle and hogs and about 80 percent of the pork—but only 30-40 percent of the beef and veal—that Italy imports usually come from other EC countries.

Italian imports of beef and live cattle are expected to decline still further in 1975. Pork and hog imports are likely to continue at present high levels as a result of lower EC prices for pork, compared with beef. If Italy continues to shift the pattern of meat and livestock imports. EC countries as a group will become more self-sufficient in red meat production.

The high cost involved in producing and importing beef is an important factor in Italy's new emphasis on pork and hog imports, particularly since the country is striving to overcome a serious balance of payments deficit.

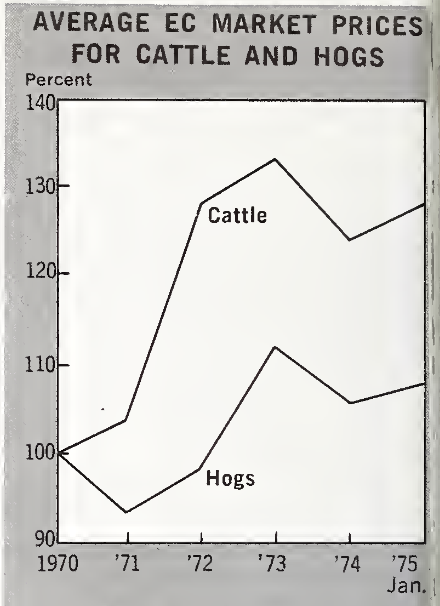
Beef quality and prices are higher in Italy than in other EC countries. Beef imports have consisted largely of better quality—and higher priced—carcasses and cuts. Over 70 percent of domestic beef output is from young slaughter cattle, as opposed to cows culled from dairy herds, which account for a larger share of total slaughter in other EC countries.

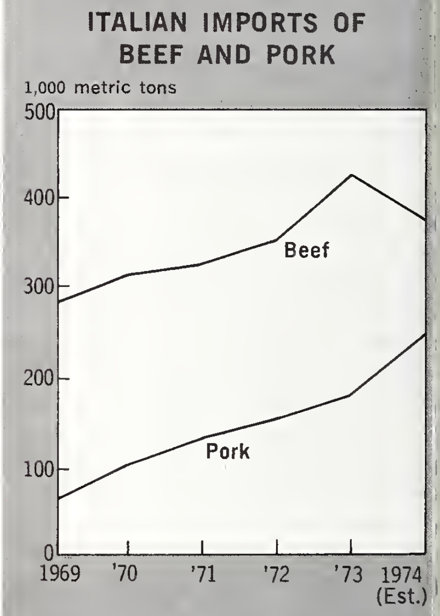
To reduce foreign exchange outlays for items that the Government considers luxuries. Italy banned beef imports from third countries even before the EC-wide embargo began last July. A little later in the year. importers were required to post substantial forward deposits. which were also required for imports from other EC countries.

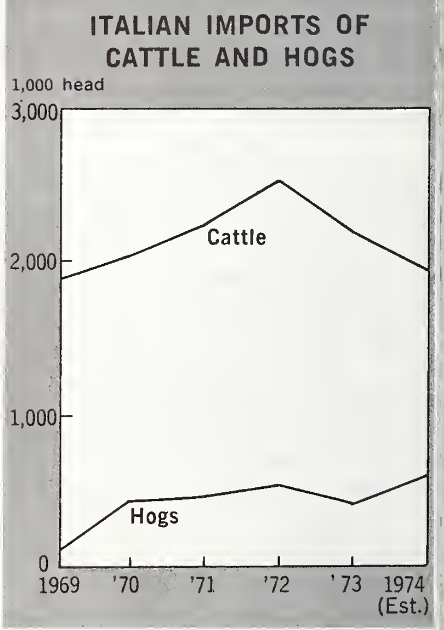
To discourage consumer demand for imported beef. the Italian Government last July increased the value added tax on beef from 6 to 18 percent. And at present. the Italian legislature is considering a bill that will increase the tax added to the value of live cattle imports from 6 to 18 percent.

Italy is highly dependent on imports to sustain its meat output, since the livestock sector accounts for only 38 percent of total farm sales in Italy, compared with 60 percent in other EC countries. Livestock raising is important only in northern Italy, where farms are relatively large. In most other areas, farms

Continued on page 16







CROPS AND MARKETS

FRUIT, NUTS, AND VEGETABLES

Spanish Almond Crop Up 49 Percent

The 1974 Spanish almond crop is still estimated at 55,000 metric tons, shelled basis, about 49 percent above the 1973 level. Quality is reported good, but size is below average.

Exports in the 1973-74 year are now placed at 19,000 metric tons, down 5,000 tons from the September estimate. West Germany, France, and Switzerland were primary markets for Spanish almond sales.

Domestic consumption of Spanish almonds in 1973-74 was 18,000 tons, up 12.5 percent over the previous year, because of larger-than-anticipated takings by the nougat industry. Carryout stocks at the end of the 1973-74 year were at normal levels—about 5,000 tons.

The decline in foreign demand for Spanish almonds as a result of California competition coupled with large world supplies has weighed heavily on the Spanish almond market. Prices have fallen somewhat from January 1974 levels. Prices for unselected Valencias, f.o.b. Spanish ports, amounted to $1.71 per pound in January 1974 compared with $1.47 per pound during August 1974.

In January 1975, the Government of Spain announced it would discontinue its financial assistance to almond producers. The decision resulted from the realization that about one-third of the current almond acreage in Spain is nonbearing. This would indicate that—all things being equal—within the foreseeable future, there will be a surplus of almonds on the world market, resulting in a downward pressure on world almond prices.

Indian Cashew Production Steady

Production of raw cashews in India in 1974 is still estimated at 105,000 metric tons, about the same as in 1973.

Exports of cashew kernels from India suffered a slight decline during 1974, primarily because of reduced raw nut imports from East African countries (which are holding back supplies while demanding higher prices). Exports are placed at 55,000 metric tons for 1974, while the 1973 export level was 57,000 tons.

The United States and the Soviet Union were principal outlets for Indian shipments, with the USSR importing a record 28,500 tons. The United States imported 12,000 tons, some 8,000 tons less than in 1973. Japan and the United Kingdom were other major purchasers.

Indian cashew imports for 1974, principally from Tanzania and Mozambique, are estimated at 165,000 tons, compared with 172,110 tons during 1973. The decline in imports results mainly from supply holdbacks employed by the East Africans, who are demanding higher prices. Prices for raw African nuts, Angoche c.i.f. Cochin, averaged 12 U.S. cents per pound in 1973 and 13 U.S. cents for 1974.

Prices of cashew kernels during 1974 fluctuated somewhat in response to seasonal movements but, on the whole, remained firm and slightly above last year's. For example, the average price of whole kernels (320 count) during 1974 amounted to US$1.18 per pound (c.i.f. New York). This compares with a peak price of US$1.30 during June and a low of US$1.06 per pound in December. The price of whole kernels (320 count) during calendar 1973, amounted to US$1.01 (c.i.f. New York).

During 1974, Indian authorities allocated funds for the development of Indian cashews.

French Walnut Output Down

The 1974 French commercial walnut crop is still estimated at 18,600 metric tons (inshell basis). This represents a 37 percent decrease from the 1973 crop now estimated at 29,300 tons (inshell basis). Size and quality of fruit are reported as average or better.

French walnut exports for 1973-74 are placed at 9,772 metric tons (inshell basis), down 10 percent from the FAS November estimate of 10,900 tons. West Germany and Switzerland were the major outlets for French walnut shipments.

Principally because of the large 1973 French walnut crop, imports declined from 2,300 tons during 1972-73 to 1,800 tons in 1973-74.

Because of the abnormally large 1974 carryin stocks, the French trade is expected to make special efforts during the 1974-75 season to increase exports, while holding imports to a minimum.

During 1973-74, French walnut prices remained below year earlier levels, reflecting pressure from unusually large stocks. The December 1974 price paid for Bordeaux extra halves, f.o.b. factory, ranged from $1.36 to $1.81 per pound. This compares with $2.66 per pound in December 1973.

India's Walnut Production Declines

The November 1974 estimate for Indian commercial walnut production of 9,500 metric tons, inshell basis, still holds. This compares with a crop of 13,500 tons in 1973.

Indian walnut exports during the 1973-74 marketing year are placed at 6,500 tons, 500 tons more than the FAS November estimate but 1,500 tons less than the 1972-73 level. Indian walnut imports are negligible.

Since walnuts were inexpensive relative to other nuts, domestic consumption remained strong during 1973-74. Stocks, on the other hand, remained unusually large during 1973-74, principally reflecting reduced exports.

The Government of India granted a cash subsidy of 7.5 percent to walnut exporters during 1972-73, but withdrew the

subsidy during 1973-74. While exporters are demanding the reestablishment of the subsidy, the Government has not indicated whether or not it would be reinstated.

Prices for Indian walnuts generally remained firm during 1974 in spite of increased prices for other food items and tree nuts. Prices for the superior quality (unshelled) walnuts at the wholesale level in the Bombay market averaged 52 cents per pound. This compares with an average price of 46 cents during 1973.

Spanish Filbert Crop at Record High

The 1974 filbert crop in Spain is still estimated at an all-time record of 33,000 metric tons, inshell basis. This represents an increase of 17,500 tons over the 1973 crop.

Spanish filbert exports declined 36 percent in the 1973-74 season to 9,600 tons, inshell basis, principally because of heavy Turkish competition and reduced domestic supplies. Switzerland and France were Spain's major outlets for filberts during the 1973-74 year. During 1973-74, there was a slight downward adjustment in domestic consumption accompanied by a drastic decline in exports.

Prices for the 1974 Spanish filbert crop remained relatively steady, reflecting static domestic and foreign demand.

In January 1975, the Spanish Government announced it would discontinue its financial support to producers of filberts, because the world filbert market is already saturated.

OILSEEDS AND PRODUCTS

Peru Begins 1975 Fishing Season

Peru's 1975 anchovy fishing season began March 10 with 450 boats reportedly fishing along the entire coast. Fishing is permitted Mondays through Fridays but limits on the number of boats have not yet been set by the Ministry of Fisheries. Peru's entire fishing fleet of 600-650 boats may soon be in operation.

Water temperatures along the Peruvian coast are reported to be low, although abnormal rains in Sierra and Piura indicate the possibility of some change. Reports of the recurrence of *el nino*—the warm current that drives anchovies away from Peruvian waters—were denied by the Ministry of Fisheries, while the Sea Institute remained silent on the matter.

Forecasts of the 1975 fish catch for meal range from 5 to 6 million tons. A total catch of 6 million would yield 1.4 million tons of meal and about 220,000 tons of oil. The 1974 catch totaled 3.87 million tons, of which 3.58 million were anchovies. Fish meal production in 1974 totaled 897,750 tons and fish oil output reached 210,887 tons.

Exports of Palm Oil Expand

During the year October 1973-September 1974, exports of palm oil from the five major producer-exporter countries of West Malaysia, Sabah, Indonesia, Ivory Coast, and Republic of Zaire totaled 1.25 million metric tons compared with 1.15 million tons a year earlier.

The increase reflects a slackening of the rate of growth to only 8 percent, compared with 15 percent in 1972-73 and 18 percent in 1971-72. In absolute terms, the indicated 95,000-ton increase in aggregate 1973-74 exports of palm oil wa 50,000 tons less than the annual increases registered by th same countries in 1972-73 and 1971-72.

The slowdown in exports chiefly reflects slackened growt in West Malaysia and a slight decline in movements fron Sabah. Expectations of higher palm oil prices are believed t have caused producers to accumulate oil stocks during 1973 74 over the volume held a year earlier.

SUGAR AND TROPICAL PRODUCTS

U.S. Essential Oils Exports Up

U.S. exports of essential oils in 1974 increased in total valu to $68.6 million, or one-third more than in 1973. The tota volume of exports rose 12 percent to 17.9 million pounds.

The value of domestic mint oil exports reached $27.3 mil lion, up 26 percent from 1973. The increase was due to highe prices, as the total volume of mint exports declined 9 percen to 3.2 million pounds.

The quantities and values of specified essential oils exporte in 1974 (in 1,000 pounds and $1,000, with comparable dat for 1973 in parentheses) are as follows: Orange oil, 6,506 $3,717 (6,340, $3,099); lemon oil, 1,084, $6,606 (1,182 $7,410); other citrus oils, 492, $1,865 (380, $1,917); pepper mint oil, 3,197, $19,145 (2,409, $15,087); spearmint oil, 982 $8,156 (1,101, $6,576); cedarwood, clove, and nutmeg oils 943, $2,573 (811, $1,667); and essential oils, n.e.s., 5,702 $26,502 (3,758, $15,818). The latter basket category include 128 essential oils not separately classified, although the tota value of these oils represented almost 40 percent of the tota value of essential oil exports. However, a substantial numbe of these items have been distilled or further refined from imported raw materials.

Burma's Jute Crop Slumps in 1974-75

Jute production in Burma in 1974-75 is estimated at 39,00 metric tons from 166,500 acres, or one-half the 78,000 ton produced in 1973-74 from 291,900 acres.

For several years, jute was an outstanding exception t stagnating or declining Burmese crop production figures. I 1974-75, acreage sown to jute dropped for the first time, apparently due in part to shortages of diesel oil for irrigatio pumps.

In the first half of fiscal 1974, Burma's jute exports totale 15,000 tons valued at $3.3 million. For the 1972-73 year, exports reached 44,000 tons valued at $11.2 million, or nearl three times the volume and value of 1971-72 jute exports.

GRAINS, FEEDS, PULSES, AND SEEDS

Larger Iranian Wheat Crop Forecast

Early indications of the 1975-76 Iranian wheat crop poin to a harvest 16 percent larger than in 1974-75 at 4.3 millio metric tons. Since most land under wheat is dry farmed, precipitation at the right time is a highly important factor i determining yields. Lack of rain during the March-June 197 period reduced wheat yields significantly.

Even with the expected higher output, Iran's wheat import

in fiscal 1976 are projected at 2 million tons, of which 1.8 million tons are expected to be supplied by the United States. The country's total wheat requirements in 1975-76 are estimated at 5.6 million tons.

Rotterdam Grain Prices and Levies

Current offer prices for imported grain at Rotterdam, the Netherlands, compared with a week earlier and a year ago:

Item	Mar. 18	Change from previous week	A year ago
	Dol. per bu.	*Cents per bu.*	*Dol. per bu.*
Wheat:			
Canadian No. 1 CWRS-13.5	4.91	−10	6.79
USSR SKS-14	(1)	(1)	(1)
Australian FAQ[2]	(1)	(1)	(1)
U.S. No. 2 Dark Northern Spring:			
14 percent	4.71	−14	5.81
15 percent	4.92	−11	(1)
U.S. No. 2 Hard Winter: 13.5 percent	4.44	−19	5.92
No. 3 Hard Amber Durum	6.70	−10	8.17
Argentine	(1)	(1)	(1)
U.S. No. 2 Soft Red Winter	(1)	(1)	(1)
Feedgrains:			
U.S. No. 3 Yellow corn	3.26	+3	3.69
Argentine Plate corn	3.78	+26	4.01
U.S. No. 2 sorghum	3.09	+9	3.53
Argentine-Granifero sorghum	3.06	+2	3.48
U.S. No. 3 Feed barley	3.10	−1	3.17
Soybeans:			
U.S. No. 2 Yellow	6.01	+13	7.21
EC import levies:			
Wheat	1.32	−2	0
Corn	.81	−4	0
Sorghum	1.11	−2	0

[1] Not quoted. [2] Basis c.i.f. Tilbury, England.
NOTE: Price basis 30- to 60-day delivery.

COTTON

China To Take Less U.S. Cotton

The People's Republic of China (PRC) recently negotiated for the cancellation of 233,000 running bales of U.S. cotton. China took 541,000 running bales of U.S. cotton during the year beginning August 1, 1972, and 820,000 in the year beginning August 1, 1973. From August 1, 1974, through February 23, 1975, U.S. exports to the PRC were 104,000 bales. China took no U.S. cotton from 1950-51 to 1972-73. During the negotiations for the cancellation of 233,000 bales, China agreed to pay the difference between the contract price and the current market price plus carrying charges.

The PRC, though one of the world's top three producers (with the United States and Russia), is generally a net importer. Imports are believed to have reached 1.8 million bales in 1972-73 and again in 1973-74. Exports in recent years are believed not to have exceeded 100,000 bales per year. However, trade reports indicate that China has recently sold 150,000 to 250,000 bales in Asia and Europe, and is still selling.

These sales, however, probably result from the need for foreign exchange rather than from a surplus of cotton. Per capita cotton availability is estimated at a low 2 pounds per year compared with a world average of about 3 pounds and a U.S. availability of about 9 pounds. Cotton accounts for about 80 percent of the per capita fiber availability in the PRC, compared with about half for the world and about 40 percent for the United States.

U.S. Raw Cotton Exports To Asia Lag Again

Unresolved contract problems in Asia held January U.S. raw cotton exports to 409,000 running bales, 25 percent below January 1974 shipments. Sharply lower exports to Asia so far this season have more than offset an increase to Europe and have held cumulative August-January shipments to 1.5 million bales, 32 percent lower than in the same period last season.

Higher January shipments, mainly to European countries outside the European Community, brought cumulative season shipments to Europe to 378,000 bales, compared with 304,000 at this time last season. January shipments to Asia lagged 42 percent below a year earlier, holding cumulative August-January exports to 1 million bales, compared with 1.7 million for the same months last season. Current season cumulative shipments to other areas dropped 40,000 bales below the same period last season.

DAIRY AND POULTRY

USSR To Have Largest Dairy Farm

The Soviet Union has signed a purchase contract with Alfa-Laval, Swedish manufacturer of dairy equipment, for a complete dairy farm operated by a computerized process control system that will accommodate 2,000 cows with a minimum labor factor.

The $11.5 million plant is to be the largest of its kind in the world, according to the Swedish International Press Bureau. It will have an annual production capacity of about 22 million gallons and can be operated by a staff of only 59 people working in shifts.

Cows will be housed in six loose housing sheds having Combi box-type stalls. Four milking plants will be used, each containing 17 conveyor cars that will circulate around a rectangular milking pit. Cows, divided into 24 production groups of 83 animals, step onto a car, teat cups are attached, and milking occurs while the cows circulate. Cups are removed automatically just before a complete circuit has occurred, and the cow then steps off.

Manure from the sheds is to be handled in liquid form. Scrapers will keep pasasages clean without disturbing the animals. About 160 tons of liquid manure will be produced daily.

GENERAL

U.S. Peach Variety Introduced in Spain

A Spanish nursery in Segorbe, Castellon, has introduced a new U.S. Freestone peach variety, Royal April, which ripens in mid-May, about 1 week before Royal Gold and Springtime. The fruit is reportedly medium to large, with yellow flesh and bright red skin.

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USDA ENDS PRIOR APPROVAL RULE FOR GRAIN AND SOYBEAN EXPORTS

Secretary of Agriculture Earl L. Butz on March 6 ended the voluntary prior-approval system for export sales of grains, soybeans, and soybean meal initiated last Oct. 7 as a result of adverse weather that reduced crop harvests considerably below earlier expectations.

In announcing the termination, Secretary Butz said that adjustments in the use of grain and protein meal in livestock feeding in the United States, along with the grain and soybean harvests about to begin in the Southern Hemisphere, make is unnecessary to continue to prior-approval system on export sales.

USDA will continue, however, to require export firms to report to the Department within 24 hours all exports sales of grains, soybeans, and soybean meal of 100,000 metric tons or more. The Secretary said this daily reporting requirement on large sales, coupled with weekly reporting on all export sales, will provide adequate watch over U.S. supplies of grains and soybeans. Daily and weekly reporting of export sales is authorized under the Agricultural and Consumer Protection Act of 1973.

"Farmers can now plant their 1975 feed grain and soybean crops secure in the knowledge that export markets will be fully available," the Secretary said. "The Administration is fully committed to an agriculture oriented to the market, and export customers make up a large and essential share of that market.

FREEZE DAMAGE HEAVY TO MEXICAN CITRUS

A recent FAS survey in the State of Nuevon Leon, Mexico's prinicpal exporter of fresh citrus, indicated that the freeze in mid-January 1975 inflicted widespread damage. Although relatively few citrus trees were killed outright, nearly all were partially or completely defoliated.

Since the freeze, most of the fruit has been directed to processing. A limited amount of fruit is being salvaged for the domestic fresh market with export activity virtually at a complete standstill.

Prospects for next season's crop are pessimistic. Although many believe the 1975-76 harvest will only be about 50 to 60 percent of normal other observers are fearful that the downturn will be even more severe. Damage was also experienced in the neighboring State of Tamaulipas.

Italy Shifts Meat Imports

Continued from page 13

are too small for efficient livestock operations and farmers are too poor to market livestock commercially.

Even so, domestic beef production—much from imported animals—increased by 100,000 tons in 1974, but high prices and weak consumer demand forced the Government to buy 20,000 tons at intervention prices—an additional drain on an already strained budget.

EC Reconsiders CAP

Continued from page 3

tracts, for instance, could be used as part of an attempt to secure assured access to Middle East oil. They might also result in guaranteed dumping grounds for EC excess production at the expense of third-country exporters, or be types of commodity agreements that shrink still further the arena of world trade based on free market prices.

It is noteworthy that the Commission, known for its strong opposition to monetary compensatory amounts and national aids, did not come down decisively against these measures but only indicated that recommendations will be forthcoming. A strong attack at this time on the former could have angered the Germans; on the latter, the French.

The Commission's CAP stocktaking will now be taken up by the Council of Agriculture Ministers for consideration. To paraphrase a common expression, the Commission *proposes* but the Council *disposes*. Since the Council is the meeting place where national differences on policy are ironed out, it is likely to be some time before judgements can be made on the report's significance for EC agriculture.

This would seem particularly true since it is doubtful that the Germans and British will think the stocktaking goes far enough toward a system based more on market determination of prices.

In any case, the EC CAP—and any significant changes made in it—remain of prime importance to U.S. agriculture. In calendar 1974, the EC imported over $5.5 billion of U.S. agricultural products, thus accounting for one-fourth of total U.S. agricultural exports.

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